families from 10 kgs to 25 kgs has also helped reduce the pressure on food prices in the market.

Cheating by Co-opetative Banks in Gujarat

40. SHRI BRAHMAKUMAR BHATT: Will the Minister of FINANCE be pleased to state:

(a) whether Government are aware that General Co-operative Bank Ltd., Ahmedabad, Urban Co-operative Bank, Baroda; People's Co-operative Bank and Charotar Nagrik Co-operative Bank in Gujarat have reached the situation of defaults;

(b) if so, the reasons for deterioration of their financial position due to which these banks have reached the stage of default;

(c) whether R.B.I. has called for their annual audit report; and

(d) if so, the action taken/likely to be taken against them?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) and (b) Reserve Bank of India (RBI) has reported that all the four banks, *viz.* General Co-operative Bank Ltd., Ahmedabad, The Charotar Nagrtik Sahakari Bank Ltd., Anand, the Baroda Peoples' Co-operative Blank Ltd., Baroda and the Ahmedabad Urban Co-operative Bank Ltd., Ahmedabad were involved in inssuance of Letter of Credit (L/Cs) of fraudulent nature which *inter-alia* led to deterioration in their financial position. The other important deficiencies, which led to their unsatisfactory financial position, were observed as under:—

In all these banks the overall functioning of their Boards was unsatisfactory and they did not evince keen interest in the management of the banks by evolving broad policies and providing overall direction. The Board did not review several important areas of the working of the bank.

The banks had not been following proper accounting practices and have been taking into its income, unrealized interest on NPAs.

The Boards had not managed liquidity position of the banks in a

prudent manner resulting in defaults in the maintenance of SLR.

The credit appraisal was deficient in several respects. It had violated the prudential exposure norms for single/group borrowers. Post disbursement supervision was slack in many respect and end use of the funds were not ensured.

The banks had not followed the guidelines relating to income recognition asset classification and provisioning.

The internal control system suffered from several deficiencies and certain important control returns were not introduced.

There was increase in credit portfolio without proper appraisal leading to mounting of NPAs. The loan accounts of some directors were irregular.

(c) and (d) RBI has reported that it has not called for the Annual audit Reports of these banks. The Annual audit of Urban Co-operative Banks is carried out by the officials of the Co-operative Department of the concerned State Government. However, RBI periodically conducts statutory inspection under provisions of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies). Suitable action has been taken by RBI based on the findings of the recent statutory inspection of the above banks.

Value Added Tax System

†41. SHRI P.K. MAHESHWARI: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Government have taken a decision to implement the value added tax system in the country;

(b) if so, by when the same will be implemented;

(c) whether it is also a fact that the prices of most of the commodities will increase upto 10 per cent due to VAT;

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†Original notice of the Question was received in Hindi.